SD Guthrie (SDG MK)

3Q25: Within Expectations; Improved Downstream Earnings

	HOLD (Maintained)
Share Price	RM5.28
Target Price	RM5.00
Upside	-5.6%

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Highlights

- SDG reported a 9M25 core profit of RM1,487m (+45% yoy) which made up 83%/78% of our and consensus forecasts.
- 3Q25 core net profit was sequentially flat at RM497m, with higher downstream contribution making up for slightly lower upstream earnings.
- Maintain HOLD with an unchanged target price of RM5.00.

3Q25 Results

Year to 31 Dec (RMm)	3Q25	qoq % chg	yoy % chg	9M25	yoy % chg
Turnover	5,411	*4.7*	*2.7*	15,397	*5.6*
Upstream	2,934	*9.4*	*12.6*	8,146	*14.5*
Downstream	4,737	*5.4*	*(8.1)*	13,550	*1.8*
Operating profit	784	*(1.1)*	*3.0*	2,330	*29.5*
Upstream	627	*(5.0)*	*(2.9)*	2,040	*52.8*
Downstream	152	*20.6*	*16.9*	359	*(24.6)*
Net profit	935	*85.1*	*22.1*	2,007	*44.2*
Core net profit	497	*0.2*	*30.4*	1,487	*44.5*
Margins					
Operating profit	14.5	*(0.9)*	*0.0*	15.1	*2.8*
Upstream	21.4	*(3.2)*	*(3.4)*	25.0	*6.3*
Downstream	3.2	*0.4*	*0.7*	2.6	*(0.9)*
Core net profit	9.2	*(0.4)*	*2.0*	9.7	*2.6*

Source: SD Guthrie

Analysis

- **Within expectations.** SD Guthrie (SDG) reported a 9M25 core net profit of RM1,487m (+44.5% yoy), which was deemed in line with expectations at 83% and 78% of both our and the street's estimates. For 3Q25, core earnings came in sequentially flattish at RM497m (+0.2% qoq, +30% yoy), whereby upstream plantation EBIT declined 5% qoq to RM627m amid sequentially lower FFB production and ASPs registered by its estates at Indonesia and Papua New Guinea/Solomon Islands (PNG/SI). Meanwhile, the downstream segment's EBIT contribution rose 21% qoq to RM152m, led by increased profitability by its bulk products division and trading operations albeit partly offset by weaker contributions by its differentiated products division.

Key Financials

Year to 31 Dec (RMm)	2023	2024	2025F	2026F	2027F
Net turnover	18,428	19,831	22,980	22,599	22,874
EBITDA	3,270	4,102	4,323	3,959	3,765
Operating profit	1,839	2,649	2,773	2,368	2,174
Net profit (rep./act.)	1,860	1,527	1,789	1,561	1,493
Net profit (adj.)	812	1,527	1,789	1,561	1,493
EPS (sen)	11.9	22.5	26.3	23.0	22.0
PE (x)	41.6	22.1	18.9	21.6	22.6
P/B (x)	1.7	1.7	1.7	1.7	1.7
EV/EBITDA (x)	18.0	14.4	13.5	14.4	14.7
Dividend yield (%)	3.0	3.3	3.4	3.0	2.8
Net margin (%)	10.1	7.7	7.8	6.9	6.5
Net debt/(cash) to equity (%)	23.4	22.8	20.3	12.1	4.9
Interest cover (x)	18.7	34.5	38.3	144.1	158.3
ROE (%)	10.4	8.3	9.8	8.5	8.2
Consensus net profit	-	-	1,898	1,861	1,776
UOBKH/Consensus (x)	-	-	1.0	1.1	1.2

Source: SDG, Bloomberg, UOB Kay Hian

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	SDG MK
Shares issued (m):	6,915.7
Market cap (RMm):	36,543.3
Market cap (US$m):	8,445.7
3-mth avg daily t'over (US$m):	5.6

Price Performance (%)

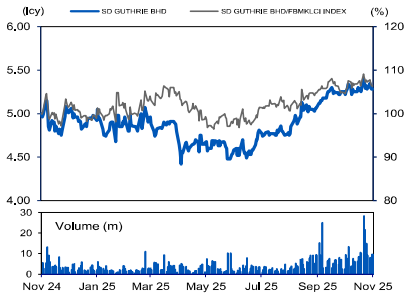
52-week high/low				RM5.32/RM4.42
1mth	3mth	6mth	1yr	YTD
0.6	10.7	13.1	5.6	6.0

Major Shareholders

Amanah Saham Nasional Bhd	53.3%

FY25 NAV/Share (RM)	2.90
FY25 Net Debt/Share (RM)	0.72

Price Chart



Source: Bloomberg

Company Description

The largest oil palm plantation company in Malaysia.

- **Management briefing takeaways.**
  - **Production.** In 4Q25, management expects FFB output to moderate by single digits qoq – which also implies a slight yoy decline – with production having seemingly peaked this year for the group's estates. Nonetheless, management expects FFB output to still maintain positive growth for the full-year – albeit possibly below its previous target of 3-5% for 2025. Subsequently, management expects 2026 FFB output to continue rising due to incremental contributions from some of its replanted landbank entering maturity.
  - **Unit costs.** CPO production costs to customers stood at RM2,577/tonne in 3Q25 and RM2,535/tonne in 9M25 – still deemed on track to reach management's full-year target of RM2,500/tonne. While costs of fertiliser procured for 2026 are expected to increase slightly, management believes CPO production costs could continue to trend down next year due to increased FFB output.
  - **Downstream segment.** In 3Q25, the group's bulk division benefitted from higher selling prices while its trading operations also benefitted from higher trading spreads and favourable market positioning. Its differentiated products division however suffered from intense competition amid aggressive pricing brought about by lower-cost feedstocks.
  - **New verticals.** For its industrial segment, nearly 2,500 acres of land within key growth corridors in Selangor, Negeri Sembilan and Johor – particularly at Malaysia Vision Valley 2.0 (MVV 2.0) and Johor-Singapore Special Economic Zone (JS-SEZ) have been identified for potential development, with some deals expected to progress towards finalisation soon. Under the renewable energy division, its 15MW solar plant located in Bukit Selarong, Kedah is currently undergoing testing and commissioning and expected to commence operations by end-Nov 25.
  - **Leadership transition.** SDG also announced that its current Managing Director, Mohamad Helmy Othman Basha would be succeeded by its current COO, Mohd Haris Mohd Arshad from 1 Jan 26, as part of the group's succession planning.

Valuation/Recommendation

- **Maintain HOLD with an unchanged target price of RM5.00.** Our valuation is pegged to 22x 2026F PE (-0.25SD to the average five-year mean of 26x). While we still like SDG for its favourable production growth profile and medium-term prospects supported by new business verticals within renewables as well as industrial development, present valuations appear fair to us at the current juncture.

Earnings Revision/Risk

- **Maintain our 2025-27 earnings estimates.** We continue to project a 17% yoy rise in 2025 core earnings, largely led by its plantation segment's stronger performance which is in turn driven by better ASPs and FFB production growth. We expect the group's estates across Malaysia, Indonesia and PNG/SI to post positive FFB growths for the full-year (9M25: Malaysia -1% yoy, Indonesia +4% yoy, PNG/SI +8% yoy).

Share Price Catalyst

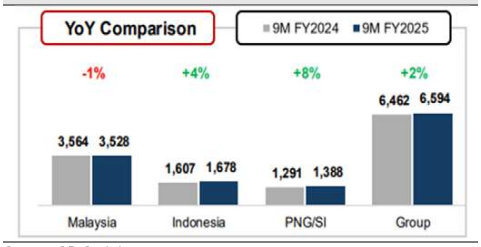
- Better-than-expected CPO prices and production growth.
- Accelerated development of new business verticals.
- Potential M&A activities.

Segment Earnings Drivers

	FY25F
FFB production growth	4.3% yoy
CPO Prices (Spot)	RM4,200/tonne

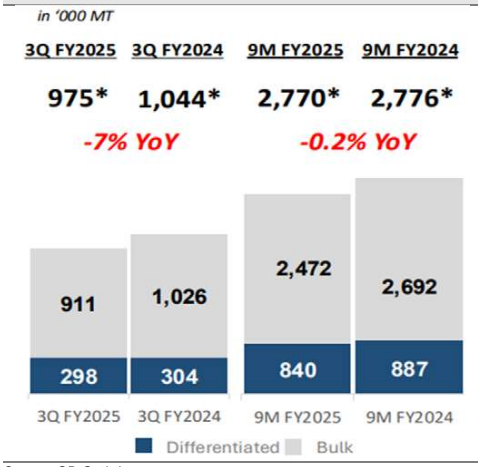
Source: UOB Kay Hian

FFB Production Growth YOY



Source: SD Guthrie

Downstream Sales Performance YOY



Source: SD Guthrie

ESG Roadmap

• **Environmental**
- SDG announced that additional biogas plants would be built in Kedah and Negeri Sembilan. This allows it to work towards its carbon reduction target of 40% by 2030 (current: 18%).
• **Social**
- The US Customs and Border Protection says palm oil produced by SDG is no longer "being mined, produced, or manufactured wholly or in part with the use of convict, forced, or indentured labour".
• **Governance**
- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy. - Placed 1st in Sustainable Palm Oil Transparency Toolkit rankings for 2025, rising from 3rd place in 2024.

Profit & Loss

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Net turnover	19,831	22,980	22,599	22,874
EBITDA	4,102	4,323	3,959	3,765
Deprec. & amort.	1,453	1,550	1,591	1,581
EBIT	2,649	2,773	2,368	2,174
Total other non-operating income	-28	10	11	13
Associate contributions	-119	-113	-27	-24
Net interest income/(expense)	2,502	2,670	2,352	2,164
Pre-tax profit	-796	-677	-596	-530
Tax	-179	-204	-194	-140
Minorities	1,527	1,789	1,561	1,493
Net profit	1,527	1,789	1,561	1,493
Net profit (adj.)	19,831	22,980	22,599	22,874

Balance Sheet

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Fixed assets	19,365	19,911	20,416	20,922
Other LT assets	4,954	4,986	4,987	4,987
Cash/ST investment	625	2,115	3,547	4,820
Other current assets	520	-1,394	-3,425	-5,446
Total assets	32,047	33,613	33,480	33,371
ST debt	1,809	1,624	1,440	1,255
Other current liabilities	237	241	242	242
LT debt	3,537	4,678	4,679	4,679
Other LT liabilities	233	233	233	233
Shareholders' equity	20,718	20,718	20,718	20,718
Minority interest	443	516	583	599
Total liabilities & equity	32,047	33,613	33,480	33,371

Cash Flow

Year to 31 Dec (RMm)	2024	2025F	2026F	2027F
Operating	3,013	2,821	3,641	3,411
Pre-tax profit	2,621	2,783	2,379	2,187
Tax	-796	-677	-596	-530
Deprec. & amort.	1,453	1,550	1,591	1,591
Working capital changes	-378	-953	63	-46
Other operating cashflows	113	119	205	208
Investing	-630	-641	-628	-640
Capex (maintenance)	-2,096	-2,096	-2,096	-2,096
Investments	0	1	2	2
Proceeds from sale of assets	1,452	1,452	1,452	1,452
Others	14	2	14	2
Financing	-1,621	-1,655	-1,505	-1,461
Dividend payments	-1,127	-1,163	-1,015	-971
Issue of shares	0	0	0	0
Proceeds from borrowings	0	0	0	0
Loan repayment	-535	-300	-300	-300
Others/interest paid	6	8	10	10
Net cash inflow (outflow)	762	526	1,509	1,310
Beginning cash & cash equivalent	830	1,586	2,106	3,609
Changes due to forex impact	-6	-6	-6	-6
Ending cash & cash equivalent	1,586	2,106	3,609	4,913

Key Metrics

Year to 31 Dec (%)	2024	2025F	2026F	2027F
Profitability				
EBITDA margin	20.7	18.8	17.5	16.5
Pre-tax margin	12.6	11.6	10.4	9.5
Net margin	7.7	7.8	6.9	6.5
ROA	5.1	5.8	5.0	4.8
ROE	8.3	9.8	8.5	8.2
Growth				
Turnover	7.6	15.9	(1.7)	1.2
EBITDA	25.4	5.4	(8.4)	(4.9)
Pre-tax profit	14.1	(14.9)	(11.9)	(8.0)
Net profit	16.3	(17.3)	(12.7)	(4.4)
Net profit (adj.)	16.3	(17.3)	(12.7)	(4.4)
EPS	88.0	17.1	(12.7)	(4.4)
Leverage				
Debt to total capital	25.3	29.7	28.7	27.8
Debt to equity	25.8	30.4	29.5	28.6
Net debt/(cash) to equity	22.8	20.3	12.1	4.9
Interest cover (x)	34.5	38.3	144.1	158.3

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